INTRODUCTION

With the implementation of the North American Free Trade Agreement (NAFTA), new partnerships for Canadian businesses are emerging in the United States and Mexico. To help Canadian businesses understand what is in store, how to prepare, and how to take advantage of our widening trade horizons, the Department of Foreign Affairs and International Trade (DFAIT) has produced this brief guide to these emerging opportunities.

The Market

The three countries in North America have worked to liberalize trade among themselves. The result is a new single market of 360 million people that exceeds the size of the European Community by some 30 million. Yet size is not the only consideration. The North American market is also characterized by higher living standards, political and economic stability, and a strong record of innovation and economic growth. Canadian firms seeking dynamic international markets for their goods and services or looking for investment partners need search no further than their own backyard.

The United States

The United States has long been a primary focus for Canada's trade. The Canada-U.S. Free Trade Agreement (FTA) was a major step forward in opening up the U.S. market to Canadian companies. The NAFTA continues the process of liberalization, and Canadian firms, particularly in the services sector, will have better access to many U.S. government procurement opportunities. This is a significant extension inasmuch as the U.S. government is the single largest purchaser of goods and services in the world. In 1992, purchases by the various federal departments and agencies in the U.S. totalled US$200 billion.

Mexico

The business environment in Mexico has become especially dynamic in the wake of sweeping social and economic changes that have lowered inflation, liberalized trade and reduced the regulatory burden on business. As a result, the Mexican economy has been growing by an average of 3.5 percent a year for the past three years. In 1992, more than $6 billion in foreign direct investment* entered the country, and imports rose by 22 percent over 1991.

Economic growth, in turn, has spurred demand for Canadian goods in areas such as information technologies, transportation equipment and services, environmental equipment and services, engineering and construction, agri-food and resource industries. Mexico is already Canada's largest trading partner in Latin America; two-way trade totalled $3.5 billion in 1992. In fact, Canada's exports to Mexico increased by a striking 37.4 percent that year, to reach $771 million. Canadian companies have recognized the extent of the emerging opportunity: in 1992, Canadian exporters made some 4500 visits to the commercial division of the Canadian Embassy in Mexico City, up from 2100 visits in 1991.

This guide offers an overview of what these events mean for Canadian companies. It is intended to help firms decide whether or not they should pursue these opportunities. For those who do want to do business in the North American marketplace, it offers some ideas of how to proceed and where to get help. Readers seeking more detailed information about doing business in Mexico should refer to a DFAIT-sponsored publication entitled *Canada - Mexico: Partnering for Success*, available through the Department's InfoEx Centre (see page 8).

**All monetary values are in Canadian dollars unless otherwise specified.*